

## Message Text

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ORIGIN STR-04

INFO OCT-01 IO-10 ISO-00 EB-07 AGR-05 COME-00 CEA-01

CIAE-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 STRE-00

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DRAFTED BY STR:BASTEINBOCK

APPROVED BY STR:SLANDE

EB/OT/GCP:CBLACK

AGR:BSHARKEY

COMMERCE:WCAVITT

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FM SECSTATE WASHDC

TO USDEL MTN GENEVA PRIORITY

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FROM STR

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT:TROPICAL PRODUCTS CONSULTATIONS

REF: (A) STATE 260316 (B) MTN GENEVA 8341

1. SUMMARY--TROPICAL PRODUCTS TASK FORCE MET NOVEMBER 11 TO REVIEW DRAFT COMMERCE PAPER FOR BILATERAL CONSULTATIONS (SEE TEXT BELOW) AND TO RECEIVE PRINTOUT OF LIST OF PRODUCTS IN UNIVERSE ARRANGED IN TSUS SEQUENCE.

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2. IT WAS AGREED THAT TPSC WOULD MEET MORNING NOV 13 TO REVIEW INITIAL UNIVERSE TO IDENTIFY ANY ITEMS WHICH MIGHT BE EXCLUDED FROM MTN CUTS. REVIEW AT THIS POINT WOULD NOT INCLUDE JUSTIFICATION OF PROBLEMS WHICH IS PART OF BROAD

PRODUCT REVIEW. FOLLOWING TPSC MEETING, TASK FORCE WILL CONTINUE TO DEVELOP CRITERIA FOR PRELIMINARY RESPONSES ON SPECIFIC PRODUCTS. SECOND TPSC MEETING THEN WILL MEET TO APPROVE POSITION PAPER FOR CONSULTATIONS BY WEDNESDAY NEXT WEEK AT THE LATEST. - - - -

3. COPY OF TROPICAL PRODUCTS UNIVERSE PRINTOUT BEING HAND CARRIED MTN GENEVA BY MATTHEISEN. HOPEFULLY COUNTRY RUNS AVAILABLE BY COB FRIDAY.

4. COMMERCE PAPER WRITTEN BEFORE RECEIPT OF MTN GENEVA 8392. COUNTRY VIEWS IN PAPER WILL BE REVISED WHERE NECESSARY TO REFLECT MTN GENEVA INPUT. DISCUSSION SECTION ON RECIPROCITY BEING REVISED TO MAKE IT CONSISTENT WITH THE RECOMMENDATIONS, TO INCORPORATE THE CONCEPT OF GENERAL LDC CONTRIBUTIONS AS RECIPROCITY AND TO BE MORE SPECIFIC TO BE OF USE IN COUNTRY CONSULTATIONS. SECTION ON CRITERIA FOR CONSIDERING REQUESTS MOST CONTROVERSIAL ONE AND WILL BE FOCUSED ON AGAIN. SPECIFIC BRACKETED AREAS ARE INDICATED IN PAPER.

5. COMMERCE PAPER REMAINS UNCLEARED AND DELEGATION COMMENTS WELCOMED BUT SHOULD BE RECEIVED BEFORE COB THURSDAY, NOV 13, TO BE CONSIDERED BY TASK FORCE IN NOV 14 MEETING.

6. TEXT OF COMMERCE PAPER FOLLOWS:

MTN TROPICAL PRODUCTS GROUP. PROBLEM: THE U.S. DELEGATION IN GENEVA NEEDS OVERALL POLICY GUIDANCE AS TO U.S. NEGOTIATING GOALS AND TACTICS IN THE MTN TROPICAL PRODUCTS GROUP IN THE COMING MONTHS, AS WELL AS SPECIFIC INSTRUCTIONS FOR CARRYING OUT A ROUND OF BILATERAL CONSULTATIONS WITH 27 COUNTRIES AND ONE REGIONAL GROUP (CACM) TO BEGIN IN GENEVA ON OR ABOUT NOVEMBER 24. IN DECIDING ON THE U.S. POSITION FOR THE BILATERAL TALKS, IT IS PARTICULARLY IMPORTANT THAT TO THE EXTENT POSSIBLE THAT POSITION BE CONSONANT WITH, OR AT LEAST NOT COMPROMISE, OVERALL U.S. NEGOTIATED LIMITED OFFICIAL USE  
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INB-OBJECTIVES AND STRATEGY  
TING OBJECTIVES AND STRATEGY WHICH MAY BE DEVELOPED FOR DEALING WITH LDCS IN OTHER MTN GROUPS, PARTICULARLY THE TARIFF GROUP.

RECOMMENDATIONS: 1. THE U.S. CONSIDERS GSP TO FALL OUTSIDE THE PURVIEW OF THE TROPICAL PRODUCTS EXERCISE AND BELIEVES THAT IN KEEPING WITH PARAGRAPH 5 OF THE TOKYO DECLARATION THE MOST-FAVORED-NATION CLAUSE MUST BE OBSERVED IN THE MTN AND THAT, THEREFORE, MFN CONCESSIONS ARE THE ONLY PROPER FOCUS FOR THE TROPICAL PRODUCTS NEGOTIATIONS. IF THE GROUP IS NOT WILLING TO ADOPT

AN MFN APPROACH, THE UNITED STATES IS PREPARED TO TAKE SUCH AN APPROACH UNILATERALLY. 2. THE U.S. WILL ASK FOR AND EXPECT RECIPROCITY FOR CONCESSIONS MADE IN THE MTN TO BOTH DCS AND LDCS. WITH RESPECT TO LDCS, RECIPROCITY WOULD BE CONTINGENT ON THE TRADE, FINANCIAL AND DEVELOPMENT NEEDS OF EACH LDC PARTICIPANT. THE EXTENT OF U.S. OFFERS WILL BE DEPENDENT ON THE RECIPROCITY OFFERED. 3. AS A GENERAL RULE, THE U.S. WILL CONSIDER REQUESTS IN THE MTN TROPICAL PRODUCTS GROUP PROVIDED THE FOLLOWING CRITERIA ARE MET: (A) LDCS COLLECTIVELY ACCOUNT FOR 60 PERCENT OR MORE OF U.S.

TRADE IN A REQUESTED ITEM; (B) THE PRINCIPAL AND SUBSTANTIAL SUPPLIERS -- BOTH DCS AND LDC -- ARE PREPARED TO OFFER RECIPROCITY; AND BRACKET (C) THE REQUESTED ARTICLE IS INDIGENOUS TO THE TROPICAL ZONES, ALTHOUGH EXCEPTIONS WILL BE CONSIDERED ON AN AD HOC BASIS END BRACKET.

DISCUSSION; THE ISSUES ON WHICH THE U.S. DELEGATION NEEDS GUIDANCE ARE DISCUSSED BELOW BY MAJOR TOPIC HEADINGS.

MFN VERSUS GSP: ONE OF THE PRINCIPAL ISSUES TO DATE HAS BEEN WHETHER THE DCS WOULD OFFER UNBOUND GSP CONCESSIONS OR BOUND MFN TARIFF REDUCTIONS AS THEIR CONTRIBUTIONS TO THEIR OBLIGATIONS UNDER THE TOKYO DECLARATION TO "TREAT TROPICAL PRODUCTS AS A SPECIAL AND PRIORITY SECTOR" FOR THE PURPOSE OF ACHIEVING THE GOALS OF THE NEGOTIATIONS. THE EUROPEAN COMMUNITY AND THE NORDICS HAVE STATED THAT THEY WOULD OFFER UNBOUND GSP CONCESSIONS AS THEIR CONTRIBUTIONS ON TROPICAL PRODUCTS, BUT WHEN PRESSED HAVE NOT PRECLUDED LIMITED OFFICIAL USE  
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THE POSSIBILITY OF ALSO OFFERING MFN TARIFF CONCESSIONS.

THE UNITED STATES CONSIDERS GSP TO BE A VOLUNTARY, UNILATERAL, NON-RECIPROCAL, NON-NEGOTIABLE, UNBOUND CONTRIBUTION TO THE ECONOMIC DEVELOPMENT NEEDS OF THE LDCS. CONSISTENT WITH PARAGRAPH 5 OF THE TOKYO DECLARATION, WE BELIEVE THAT THE MOST-FAVORED-NATION CLAUSE MUST BE OBSERVED IN THE MTN AND THAT, THEREFORE, MFN CONCESSIONS ARE THE ONLY PROPER FOCUS FOR THE TROPICAL PRODUCT NEGOTIATIONS.

AUSTRALIA HAS EXPRESSED VIEWS SIMILAR TO THESE, WHILE CANADA AND JAPAN HAVE KEPT THEIR OWN COUNSEL IN THE TROPICAL PRODUCTS GROUP. THE LDCS, OF COURSE, WANT ANYTHING AND EVERYTHING THEY CAN GET.

IN LIGHT OF THIS SITUATION, THE U.S. DELEGATION SHOULD SEEK APPROPRIATE OPPORTUNITIES TO HAVE THE U.S. VIEW ACCEPTED AS THE GROUND RULES FOR THE TROPICAL PRODUCTS EXERCISE. IN THE EVENT THAT OTHER DCS REFUSE TO MAKE MFN CONCESSIONS, OR TO KEEP GSP OUT OF THIS EXERCISE, THEN THE U.S. IS PREPARED

TO FOLLOW THE MFN COURSE OF ACTION UNILATERALLY.

IN THIS REGARD, IT IS NOTEWORTHY THAT RECENT DISCUSSIONS IN BRUSSELS BETWEEN U.S. AND EC TRADE OFFICIALS HAVE INDICATED THAT THE EC STANCE IN APPARENT OPPOSITION TO MFN CONCESSIONS MAY BE WEAKENING. BRAZIL AND OTHER LDCS ARE KNOWN TO CONSIDER UNBOUND GSP CONCESSIONS NOT TO BE FORTHCOMING TO THEIR DEMANDS. THOSE COUNTRIES CAN BE EXPECTED TO APPLY CONTINUING PRESSURE TO OBTAIN BOTH GSP AND MFN CONCESSIONS WHEREVER POSSIBLE.

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RECIPROCITY: ANOTHER PRINCIPAL ISSUE IN THE TROPICAL PRODUCTS GROUP IS WHETHER AND TO WHAT EXTENT DCS SHOULD SEEK RECIPROCITY FROM LDCS FOR CONCESSIONS THE FORMER MAKE TO THE LATTER. THE EC, CONSONANT WITH ITS POSITION ON GSP, HAS STATED THAT IT WILL NOT EXPECT RECIPROCITY FOR ITS GSP CONTRIBUTIONS. THE U.S. POSITION IS THAT WE WILL ASK FOR AND EXPECT RECIPROCITY FOR CONCESSIONS MADE IN THE MTN CONSISTENT WITH THE TRADE, FINANCIAL AND DEVELOPMENT NEEDS OF EACH LDC PARTICIPANT.

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TO THAT END, WE CURRENTLY ARE PREPARING A LIST OF U.S. EXPORT PRIORITIES BY FOREIGN TARIFF LINE FOR EACH LDC PARTICIPANT IN THE TROPICAL PRODUCTS EXERCISE. FROM THAT LIST OF OVERALL GOALS, WE WILL SELECT CERTAIN CONCESSIONS TO REQUEST FROM EACH LDC IN THE TROPICAL PRODUCTS GROUP COMPARABLE IN VALUE TO CONCESSIONS WHICH MAY BE OFFERED BY THE U.S. THE EXTENT OF U.S. OFFERS WILL BE DIRECTLY DEPENDENT ON RECEIVING RECIPROCITY FROM THE LDCS. FOR EACH CONCESSION REQUESTED OF AN LDC, WE WILL BE PREPARED TO EXPLAIN HOW AND WHY THE GRANTING OF SUCH A CONCESSION WOULD NOT BE INCONSISTENT WITH THE TRADE, FINANCIAL AND DEVELOPMENT NEEDS OF THAT COUNTRY.

IT IS EXPECTED THAT THE U.S. WILL BE PREPARED TO PRESENT LISTS OF REQUESTS TO EACH LDC PARTICIPANT IN THE TROPICAL PRODUCTS GROUP AT SUCH TIME AS WE MAKE FORMAL OFFERS TO THAT COUNTRY. HOWEVER, DURING THE FORTHCOMING ROUND OF BILATERAL DISCUSSIONS OF OUR "PRELIMINARY SUBSTANTIVE RESPONSE" TO LDC REQUESTS FOR U.S. CONCESSIONS, WE MAY ALSO GIVE SOME EXAMPLES OF THE TYPE OF CONCESSIONS WE WILL BE REQUESTING AT THE TIME THAT U.S. OFFERS ARE MADE.

ANOTHER ASPECT OF THE RECIPROCITY ISSUE IS WHO SHALL BE ASKED TO PAY FOR POSSIBLE U.S. CONCESSIONS. IN MANY INSTANCES THE LDC REQUESTING A PARTICULAR U.S. CONCESSION HAS LITTLE OR NO TRADE INTEREST IN THAT ITEM. IT IS POSSIBLE THAT SOME LDCS IN PREPARING THEIR REQUEST LISTS MAY HAVE AGREED TO HAVE MINOR SUPPLIERS REQUEST PARTICULAR CONCES-

SIONS, THEREBY HOPING TO PRECLUDE THE PRINCIPAL OR SUBSTANTIAL SUPPLIERS FROM BEING ASKED TO PAY FOR THEM.

IT IS THE U.S. POSITION THAT PRINCIPAL AND SUBSTANTIAL SUPPLIERS OF EACH TSUS ITEM OFFERED AS A CONCESSION IN THE MTN WILL BE EXPECTED TO PROVIDE RECIPROCITY. HENCE, EVEN THOSE LDCS WHICH HAVE NOT REQUESTED A CONCESSION ON A PARTICULAR ITEM, BUT WHICH ARE PRINCIPAL OR SUBSTANTIAL SUPPLIERS, WILL BE EXPECTED TO PROVIDE, AND WILL BE ASKED FOR, RECIPROCITY IN THE TROPICAL PRODUCTS EXERCISE. OTHERWISE, IT WILL NOT BE POSSIBLE TO GRANT CONCESSIONS ON SUCH ITEMS.

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CRITERIA FOR CONSIDERING REQUESTS: AS A GENERAL RULE, THE U.S. WILL CONSIDER REQUESTS IN THE MTN TROPICAL PRODUCTS GROUP ONLY WHERE LDCS COLLECTIVELY ACCOUNT FOR 60 PERCENT OR MORE OF U.S. TRADE IN REQUESTED ITEMS, ALTHOUGH ITEMS WITH LESSER LDC TRADE MAY BE CONSIDERED ON AN AD HOC BASIS. IN ADDITION, WE WOULD BE PREPARED TO MAKE OFFERS ONLY ON THOSE ITEMS WHERE THE PRINCIPAL AND SUBSTANTIAL SUPPLIERS ARE OFFERING RECIPROCITY. THIS APPLIES TO BOTH DCS AND LDCS. SUBSTANTIAL SUPPLIERS SHALL BE DEFINED AS EACH OF THE TOP FIVE SUPPLIERS, PROVIDED EACH COUNTRY ACCOUNTS FOR NOT LESS THAN 10 PERCENT OF TOTAL U.S. IMPORTS OF THE ITEM IN QUESTION.

BRACKET ANOTHER CRITERION FOR CONSIDERING OFFERS IN THE TROPICAL PRODUCTS EXERCISE IS WHETHER THE REQUESTED CONCESSION IS ON A TROPICAL OR A NON-TROPICAL PRODUCT. A TROPICAL PRODUCT SHALL BE DEFINED AS ONE INDIGENOUS TO THE TROPICAL ZONES AND THEREFORE NOT PRODUCED IN THE TEMPERATE ZONES. BY THIS DEFINITION, LAUAN PLYWOOD IS A TROPICAL PRODUCT, BUT FOOTWEAR IS NOT. END BRACKET.

TO DATE THE U.S. DELEGATION HAS AVOIDED THIS ISSUE IN THE TROPICAL PRODUCTS GROUP IN ORDER TO PRECLUDE POTENTIALLY RANCOROUS DEFINITIONAL DISPUTES WITH DCS AND LDC ALIKE. IN THE FUTURE, HOWEVER, IT WILL BE BOTH NECESSARY AND DESIRABLE TO DENY CERTAIN REQUESTS ON THE GROUNDS THAT THE 3BM5 REQUESTED ARE NOT TROPICAL. TO PROCEED OTHERWISE WOULD OPEN THE U.S. TO REQUESTS FOR CONCESSIONS FROM ANY LDC ON ANY PRODUCT IN ORDER TO REAP THE "SPECIAL AND PRIORITY" BENEFITS OF PARTICIPATION IN THE TROPICAL PRODUCTS EXERCISE.

FOR THOSE ITEMS ON WHICH REQUESTS HAVE BEEN DENIED BECAUSE THEY ARE NOT TROPICAL PRODUCTS, AND WHICH ARE NOT OTHERWISE IMPORT SENSITIVE, WE WOULD INDICATE TO THE REQUESTING COUNTRY THAT THE U.S. WOULD BE WILLING TO CONSIDER OFFERS

ON SUCH PRODUCTS IN THE CONTEXT OF THE MTN TARIFF GROUP. INGERSOLL

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